



STATE BOARD OF LAND COMMISSIONERS

C. L. "Butch" Otter, Governor and President of the Board
Ben Yursa, Secretary of State
Lawrence G. Wasden, Attorney General
Brandon D. Woolf, State Controller
Tom Luna, Superintendent of Public Instruction

Tom Schultz, Secretary to the Board

Final Minutes
State Board of Land Commissioners' Regular Meeting
October 28, 2014

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, October 28, 2014 in the State Capitol Lincoln Auditorium (Room WW02) at 700 West Jefferson, Boise, Idaho. The meeting began at 9:00 a.m. The Honorable Governor C. L. "Butch" Otter presided. The following members were present:

Honorable Secretary of State Ben Yursa
Honorable Attorney General Lawrence Wasden
Honorable State Controller Brandon Woolf
Honorable Superintendent of Public Instruction Tom Luna

For the record, Governor Otter recognized the presence of four Board members and noted that Superintendent Luna was expected to arrive momentarily.

A motion was made by Attorney General Wasden that agenda item 7 related to the Kootenai Bluff Conservation Easement be removed from the agenda. The Attorney General was advised late on Monday, October 27 that the owners of the property are still evaluating the offer and therefore the matter is not ready for consideration by the Board. Controller Woolf seconded the motion. Craig Foss, Bureau Chief-Forestry Assistance stated the final land appraisal was only recently received by the Department. The landowners, a family partnership, need time to evaluate the appraisal and requested that this matter be held for a future meeting. Governor Otter asked if this transaction has a willing buyer and willing seller. Mr. Foss replied yes. The motion carried on a vote of 4-0.

For the record, Superintendent Luna arrived at 9:04 a.m.

1. Director's Report

A. Interest Rate on Department Transactions – October 2014

B. Timber Sale Activity and Information Report – September 2014

DISCUSSION: Governor Otter asked if the stumpage price of \$300/MBF is sustainable. Director Schultz responded that the timber program under State Forester Groeschl is sustainable and the Department will do its best to keep both volume and prices up.

C. Division of Lands and Waterways Activity and Information Report – September 2014

DISCUSSION: Director Schultz mentioned there were four residential assignments this month; two at Payette Lake and two at Priest Lake. At Priest Lake, the numbers of assignments for the past four years have remained steady: 18 in 2011; 16 in 2012; 18 in 2013 and 19 to date in 2014. This is of note because assignments offer an avenue to lessees who want to terminate their lease; they can sell their improvements and assign their lease. Director Schultz mentioned 56 of 59 properties in the August Priest Lake voluntary auction have closed; the remaining three are expected to close within two weeks. Also, fifty refunds have been issued for lease payment differences between what was paid for the full year and the date that was projected to have been the initial closing. Also at Priest Lake, 75 long term leases have been signed for 2015, 20 long term leases were signed for 2014, 59 leases were sold at auction, leaving approximately 200 lessees who need to either sign a long term lease, or are in the challenge process.

D. Legal Matter Summary – September 2014

DISCUSSION: Secretary of State Ysursa asked for an update on the Airport 7 matter. Mike Murphy, Bureau Chief-Endowment Leasing, reported that the Department is working with the City to identify ideal locations for the off-site wells. The Department has collected additional data on other wells in the interim to further refine the decision.

E. Fire Season Update – September 2014

DISCUSSION: Director Shultz noted that while it was a relatively mild fire season overall the costs were much higher than the historical norm of \$6.5 million as approximately 50% of the acres burned were under Department protection. Total costs for 2014 were \$31.6 million with recoverable costs of \$3.98 million for a net obligation of \$27.68 million. The Department ordered two Type I teams and five Type II teams; it is not uncommon to have expenses of a million dollars a day to pay for the cost of a Type I team. Director Schultz stated the Department is very cautious when ordering Type I teams due to costs, but the complexity of the fires, when private property and lives are threatened, drives the decision for Type I and Type II teams to fight the fires.

Governor Otter mentioned that at his last meeting with Secretary Vilsack on behalf of the Land Commissioners he requested that the Department participate in the actual management of the federal lands in Idaho. Governor Otter asked the Director to develop preliminary ideas for how that could work in the event Secretary Vilsack agrees. Director Shultz remarked that the Department has been exploring options for helping manage the federal forests and State Forester Groeschl will further address that topic in a later agenda item. Director Schultz stated the Department will actively pursue opportunities to help manage federal forests in Idaho.

2. Endowment Fund Investment Board Manager's Report – Presented by Larry Johnson, EFIB Manager of Investments

A. Manager's Report

DISCUSSION: Mr. Johnson reported that reserves are in good shape and there are no compliance issues to report.

B. Investment Report

DISCUSSION: Mr. Johnson commented that for the month of September the Fund lost 2.6% and so far into October is down half a percent. Fiscal year-to-date the Fund is down about 1.7%. Mr. Johnson noted that after three or four years of great returns a correction is not unexpected.

Background information was provided by the presenter indicated below. No Land Board action is required on the Information Agenda.

• **INFORMATION**

- 3. Callan Associates Asset Allocation and Governance Review Preliminary Report** – Presented by Janet Becker-Wold, Senior Vice President, Sally Haskins, Senior Vice President and James Van Heuit, Senior Vice President, Callan Associates

DISCUSSION: A verbatim transcript is available by request to the Department of Lands, Attn: Land Board Recording Secretary, PO Box 83720, Boise, Idaho 83720-0050 or by email to public_records_request@idl.idaho.gov.

• **CONSENT**

- 4. Timber Sales for Approval** – Staffed by Eric Besaw, Regional Operations Chief-North, and Kurt Houston, Regional Operations Chief-South

NORTH OPERATIONS

				<u>COUNTY</u>	<u>AREA OFFICE</u>
A. Elk Resurrection	CR-30-0614	5,510	MBF	Benewah	St. Joe (St. Maries)

SOUTH OPERATIONS

				<u>COUNTY</u>	<u>AREA OFFICE</u>
B. Cranberry Face Bugs	CR-40-1189	1,655	MBF	Clearwater	Clearwater (Orofino)
C. Pulpapalooza	CR-42-5074	11,415	MBF	Clearwater	Maggie Creek (Kamiah)

- 5. Statehouse Lease Termination** – Staffed by Julie Weaver, Deputy Attorney General

- 6. Term Easement No. ES220008: Yellowstone Pipe Line Company** – Staffed by Kate Langford, Bureau Chief-Real Estate Services

RECOMMENDATION: Approve Easement No. ES220008 for installation of a petroleum pipeline to Yellowstone Pipe Line Company with the compensation amount set at \$148,000.

DISCUSSION: Governor Otter asked if the liability insurance includes construction and operation. Director Schultz replied yes, over the 30 year term.

7. Conservation Easement: FY2013 McArthur Lake Addition – Staffed by Craig Foss, Bureau Chief-Forestry Assistance

RECOMMENDATION: Authorize the Department to acquire the McArthur Lake Addition conservation easement, comprising 6,847 acres.

DISCUSSION: Governor Otter asked if anyone was opposed to the easement. Mr. Foss responded no, not to his knowledge. It is a willing buyer/willing seller, completely voluntary.

8. Results of August 27-28 and September 9, 2014 Conflicted Grazing and Cropland Lease Auctions – Staffed by Diane French, Program Manager-Grazing, Agriculture and Conservation

RECOMMENDATION: Direct the Department to award grazing leases G800237 to conflicting applicant Larsen Land and Cattle; G800264 to existing lessee Huntsman Family Ranch LP; G800280 to conflicting applicant Jeff Eddington; G800287 to existing lessee Richard Savage; and G800290 to existing lessee Eighteen Mile Ranch, the high bidders of the five (5) grazing conflict lease auctions. Direct the Department to award cropland lease C800034 to existing lessee Dely Ward, the high bidder of the one (1) cropland conflict lease auction.

9. Approval of Minutes –September 16, 2014 Regular Meeting (Boise)

10. Approval of Minutes – October 2, 2014 Special Meeting (Boise)

CONSENT AGENDA BOARD ACTION: A motion was made by Attorney General Wasden that the Board approve the Consent Agenda. Controller Woolf seconded the motion. The motion carried on a vote of 5-0.

• **REGULAR**

11. 3-Year Cottage Site Voluntary Auction Plan – Presented by Kate Langford, Bureau Chief-Real Estate Services

RECOMMENDATION: The Department recommends that the Land Board approve a 3-year VAFO Plan stating:

1. A selection window will be opened during the month of November 2014 and up to one hundred eighty (180) leased lots will be randomly selected for auction during the 2015, 2016, or 2017 auction cycle, with 60 leased lots auctioned per year.
2. Unleased lots, including vacant lots and lots under a short term land use permit, will be offered at each lake through an application process to be developed.
3. One VAFO cycle will be conducted at each lake, Payette and Priest, annually as shown on the timeline included in Attachment 3.
4. To be selected for participation in a VAFO cycle a lessee must:
 - a. be a lessee in good standing and not otherwise indebted to the State of Idaho;
 - b. not be named in litigation against the Land Board which may affect valuations or lease terms;
 - c. not have a conflicted lease;

- d. have either executed a long term residential lease or have applied to lease pending completion of the challenge appraisal process (persons failing to execute a lease upon final establishment of appraised value will lose eligibility); and
- e. have completed the New Drainfield Lot process, if necessary, prior to scheduling a pre-application meeting in 2016 or 2017 (applicable to Priest Lake only).

DISCUSSION: A verbatim transcript is available by request to the Department of Lands, Attn: Land Board Recording Secretary, PO Box 83720, Boise, Idaho 83720-0050 or by email to public_records_request@idl.idaho.gov.

BOARD ACTION: A motion was made by Attorney General Wasden that the Board adopt the Department recommendation as outlined on pages 3 of 4 and 4 of 4 of the memo, with the following modifications: under item 1 recommendation, add language that those leaseholders of lots selected each year for participation in the VAFO will be notified prior to December 31 of that year; and add an additional item number 5 that the Director consider the issuance of numbers for all leaseholders and report back to the Board in January as to the viability of using that process. Controller Woolf seconded the motion. Superintendent Luna and Secretary of State Ysursa expressed concern with the notification happening by December 31; Secretary of State Ysursa noted the lessees should be given sufficient time to sign a lease with the Department. Director Schultz suggested that the Department would notify individuals by December 15 and then brief the Board at its December 16 meeting. Attorney General Wasden stated with the permission of his second he would amend his motion such that leaseholders would be notified by December 15 of their selection in a VAFO and the Department would report to the Board at its December 16 meeting on the feasibility of issuing numbers to all leaseholders. Controller Woolf agreed. The motion as amended carried on a vote of 5-0.

Background information was provided by the presenter indicated below. No Land Board action is required on the Information Agenda.

- **INFORMATION**

12. Department of Lands Exploring Options to Facilitate Management of Federal Timberlands Under New Farm Bill Authorities – Presented by David Groeschl, State Forester and Deputy Director-Forestry and Fire

DISCUSSION: A verbatim transcript is available by request to the Department of Lands, Attn: Land Board Recording Secretary, PO Box 83720, Boise, Idaho 83720-0050 or by email to public_records_request@idl.idaho.gov.

At 12:28 p.m. a motion was made by Attorney General Wasden to resolve into Executive Session pursuant to Idaho Code § 67-2345(1) subsection (b) to consider the evaluation of Director Schultz. Attorney General Wasden requested that a roll call vote be taken and that the Secretary record the vote in the minutes of the meeting. Secretary of State Ysursa seconded the motion. Roll Call Vote: Aye: Ysursa, Wasden, Woolf, Luna, Otter; Nay: None; Absent: None.

For the record, at 12:30 p.m. Superintendent Luna left the meeting to attend to other official commitments.

